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AMERICA'S INDUSTRIES AS AFFECTED BY THE EUROPEAN WAR

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The usefulness of the American Academy of Political and Social Science consists not only in the discussions of important topics in its annual meetings, but in the wide distribution of the opinions expressed in the papers which are presented at these meetings. In the nature of the case it is impossible for the great body of those throughout America and other countries, interested in the subject dealt with, to be present at these meetings. Nevertheless, the opinions expressed by the learned thinkers, who are specialists in their particular fields of activities, go forth to all interested in these subjects, not only in Pennsylvania and the United States, but to thinkers throughout the world.

During the twenty-five years of the existence of the American Academy of Political and Social Science there has been issued a series of timely publications, each expressing the latest thought upon the particular subject dealt with. In these publications are recorded the contributions of the American Academy of Political and Social Science to the progress of the world's thought.

When the war broke out at the beginning of last August, the first result was the sudden and complete paralysis of the financial fabric of all the nations of the world. In this financial cataclysm their only safety was found in the establishment of moratoria of sufficient length to give time for consideration of the new conditions and for study of the methods to be adopted for safeguarding the interests of each. Not only in our own country, but everywhere, the cessation of financial operations, including the closing of the stock exchanges, occasioned a discontinuance of everything looking to new business, deprived the industries of their markets and left the manufacturers with nothing to do but to carry out so much of

¹Remarks as presiding officer at the first session of the Nineteenth Annual Meeting of the American Academy, held in Philadelphia on April 30 and May 1, 1915.

their existing contracts as were not affected by the outbreak of war. Prior to the war a condition of business prostration had already existed. It does not seem necessary to go into the various causes which created this depression, and if we were to undertake to quote them, each would be regarded as debatable. Amongst them may be counted the change of administration, the various measures which were carried through as part of the program of the new party in power, the fear of unwise legislation and the uncertainty as to what the future policies of the government might be. All of these had already exercised their influence in retarding the business of the country. Then came the declaration of war, which put all large business to an end. We discovered not only that financial operations had stopped, but our merchants, manufacturers and shippers found that, because of our dependence upon the vessels of other nations, the means of continuing our foreign commerce was withdrawn. With superabundant crops, it was impossible for us to send them to market.

Little by little we have been emerging from that condition. The necessities of the various countries of Europe have compelled the resumption of shipments of our grains, cotton and other materials. The belligerents have placed with us contracts for vast sums of war material. This has established an activity which in certain lines of business is almost feverish, but it has not created general prosperity. Many lines of business, not stimulated by the war, have not yet been aroused from their lethargy. Particularly is this true of the enormous industries dependent for their prosperity upon that of the railroads. The railroads have not yet begun to purchase. Next to agriculture they constitute the largest single interest in the United States and their purchases constitute the most potent factor in the creation of business prosperity. The growth of our exports, combined with the practical cessation of imports, due both to the demoralized condition of our own business and the cessation of manufacturing in Europe, has created a balance of trade in our favor which is unprecedented in the history of the country. According to the most conservative estimate this will amount to at least one billion dollars a year, and many place it as high as a billion and a half, which the world will owe us for our shipments over and above the amounts which we have purchased abroad,

The creation of the system of federal reserve banks has given new confidence to business, which is an encouraging sign. It holds out the hope that the severity of business depressions in the future will be modified. It has released a large amount of capital hitherto maintained in reserve and, therefore, in idleness. We are looking forward to a repetition of the abundant crops of last year, and furthermore we are growing accustomed to the fact that the great war in Europe is proceeding and will proceed until a rational peace is arrived at. We have, therefore, come to regard the belligerent conditions in Europe as in a sense normal, and we are adjusting ourselves to create the maximum prosperity consistent therewith. We can now turn our attention to our problems as they will exist after the European war, in the light of what that war has taught us.